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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA

12 || AMERANTH, INC.

Plaintiff,

14 ||

USABLENET, INC.

Defendant.

CASE NOS.
11-CV-1810 JLS (NLS),
12-CV-1650 JLS (NLS)

**ORDER GRANTING
DEFENDANT'S MOTION TO
DISMISS PLAINTIFF'S
COMPLAINT**

(ECF No. 10)

19 || AND RELATED CASES

21 Presently before the Court is Defendant Usablenet, Inc.’s (“Usablenet”)
22 motion to dismiss Plaintiff Ameranth, Inc.’s (“Ameranth”) complaint. (ECF No.
23 10.) Also before the Court are Ameranth’s response in opposition, (Resp. in Opp.,
24 11-cv-1810 ECF No. 280), and Usablenet’s reply in support, (Reply in Supp., 11-cv-
25 1810 ECF No. 286). The hearing set for the motion on November 8, 2012, was
26 vacated, and the matter taken under submission on the papers. Having considered
27 the parties’ arguments and the law, the Court **GRANTS** Usablenet’s motion to
28 dismiss.

BACKGROUND¹

I. Procedural History

3 This action is part of a consolidated action for patent infringement by Plaintiff
4 Ameranth, Inc. (“Ameranth”) against various Defendants in thirty-one related cases.
5 In the present case, Ameranth has asserted inducement of infringement and
6 contributory infringement claims against Usablenet of three patents: U.S. Patent
7 Nos. 6,384,850 (the ‘850 patent), 6,871,325 (the ‘325 patent) and 8,146,077 (the
8 ‘077 patent, and collectively, the “Asserted Patents”). (ECF No. 1.) On October 4,
9 2012, the Court consolidated the instant action and all related actions with the lead
10 case, *Ameranth v. Pizza Hut, Inc. et al*, Case No. 11-CV-1810 (“lead case” or
11 “1810”), for pretrial purposes up to and including claim construction. (1810, ECF
12 No. 279.) On September 10, 2012, Usablenet filed the instant motion to dismiss
13 Ameranth’s complaint, including claims of induced infringement, contributory
14 infringement, and willful infringement, for failure to meet the pleading requirements
15 of Rule 8. (ECF No. 10.)

II. The Asserted Patents²

17 The ‘850 and ‘325 Patents cover an information management and
18 synchronous communications system and method for generating computerized
19 menus for use on specialized displays. The invention allows for the more efficient
20 use of handheld wireless devices in the restaurant and hospitality fields by creating
21 an integrated solution that formats data for smaller displays and allows for
22 synchronization of data.

23 The ‘077 Patent also covers an information management and synchronous
24 communications system and method for generating computerized menus for use on
25 specialized displays, but with the added ability to manually modify the entries with

²This section is based on the published Patents. (See generally ECF No. 1-1.)

1 handwriting or voice. Generally, the '077 Patent expands upon the prior two patents
2 and also covers the incorporation of a manual interface to allow consumers to
3 manually input a selection.

4 As stated in the complaint, the Asserted Patents are directed to:

5 [the] generation and synchronization of menus, including but not
6 limited to restaurant menus, event tickets, and other products across
7 fixed, wireless and/or internet platforms as well as synchronization of
8 hospitality information and hospitality software applications across
9 fixed, wireless and internet platforms, including but not limited to,
10 computer servers, web servers, databases, affinity/social networking
11 systems, desktop computers, laptops, "smart" phones and other
12 wireless handheld computing devices.³

13 ***A. The '850 Patent — Information Management and Synchronous
14 Communications System with Menu Generation***

15 The '850 Patent covers an information management and synchronous
16 communications system and method for generating computerized menus for use on
17 specialized displays. The invention allows for the more efficient use of handheld
18 wireless devices in the restaurant and hospitality fields by creating an integrated
19 solution that formats data for smaller displays and allows for synchronization of
20 data.

21 ***B. The '325 Patent — Information Management and Synchronous
22 Communications System with Menu Generation***

23 The '325 Patent also covers an information management and synchronous
24 communications system and method for generating computerized menus for use on
25 specialized displays. The asserted claims of both the '325 and '850 Patents share the
26 following elements: (1) a central database containing hospitality applications and
27 data; (2) at least one wireless handheld computing device on which hospitality
28 applications and data are stored; (3) at least one Web server on which hospitality
applications and data are stored; (4) at least one Web page on which hospitality
application and data are stored; (5) an application program interface; and (6) a

³ECF No. 1 at 3.

1 communications control module.

2 ***C. The '077 Patent — Information Management and Synchronous***
 3 ***Communications System with Menu Generation, and Handwriting and Voice***
 4 ***Modification of Orders***

5 The '077 Patent also covers an information management and synchronous
 6 communications system and method for generating computerized menus for use on
 7 specialized displays, but with the added ability to manually modify the entries with
 8 handwriting or voice. Generally, the '077 Patent expands upon the prior two patents
 9 and also covers the incorporation of a manual interface to allow consumers to
 10 manually input a selection.

11 **LEGAL STANDARD**

12 **I. Federal Rule of Civil Procedure 12(b)(6)**

13 Federal Rule of Civil Procedure 12(b)(6) permits a party to raise by motion
 14 the defense that a complaint “fail[s] to state a claim upon which relief can be
 15 granted,” generally referred to as a motion to dismiss. These motions provide a
 16 basis by which a party may challenge the sufficiency of a claim, including
 17 counterclaims such as those presently at issue. In *Twombly*, the Court held that an
 18 adequate complaint “requires more than labels and conclusions, and a formulaic
 19 recitation of the elements of a cause of action will not do.” *Bell. Atl. Corp. v.*
 20 *Twombly*, 550 U.S. 544, 555 (2007) (internal citation omitted). “Nor does a
 21 complaint suffice if it tenders ‘naked assertion[s]’ devoid of ‘further factual
 22 enhancement.’” *Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009) (quoting *Twombly*, 550
 23 U.S. at 557). To accomplish this goal, a pleader must aver “factual content that
 24 allows the court to draw the reasonable inference that the defendant is liable for the
 25 misconduct alleged.” *Id.*

26 In alleging sufficient facts to state a claim upon which relief can be granted
 27 and survive a motion to dismiss, *Twombly* and *Iqbal* do not require a pleader show a
 28 claim is probable, but there must be “more than a sheer possibility that a defendant

1 has acted unlawfully.” *Id.* Facts “merely consistent with” a defendant’s liability
2 fall short of a plausible entitlement to relief. *Id.* (quoting *Twombly*, 550 U.S. at
3 557). Further, the Court need not accept as true “legal conclusions” contained in the
4 complaint. *Id.* This review requires context-specific analysis involving the Court’s
5 “judicial experience and common sense.” *Id.* at 679 (citation omitted). “[W]here the
6 well-pleaded facts do not permit the court to infer more than the mere possibility of
7 misconduct, the complaint has alleged—but it has not ‘show[n]’—‘that the pleader
8 is entitled to relief.’” *Id.*

9 Where a motion to dismiss is granted, “leave to amend should be granted
10 ‘unless the court determines that the allegation of other facts consistent with the
11 challenged pleading could not possibly cure the deficiency.’” *DeSoto v. Yellow*
12 *Freight Sys., Inc.*, 957 F.2d 655, 658 (9th Cir. 1992) (quoting *Schreiber Distrib. Co.*
13 *v. Serv-Well Furniture Co.*, 806 F.2d 1393, 1401 (9th Cir. 1986)). In other words,
14 where leave to amend would be futile, the Court may deny leave to amend. *See*
15 *Desoto*, 957 F.2d at 658; *Schreiber*, 806 F.2d at 1401.

ANALYSIS

I. Indirect Infringement Claims

18 Usablenet moves to dismiss Ameranth’s induced infringement and
19 contributory infringement claims for: (1) failure to identify an underlying act of
20 direct infringement; and (2) failure to sufficiently plead that Usablenet had
21 knowledge of the Asserted Patents. Usablenet further contends that Ameranth has
22 failed to plausibly plead intent to induce infringement. The Court addresses each
23 argument in turn.

24 | A. *Underlying Act of Direct Infringement*

25 “Indirect infringement, whether inducement to infringe or contributory
26 infringement, can only arise in the presence of direct infringement” *Joy Techs., Inc. v. Flakt, Inc.*, 6 F.3d 770, 774 (Fed. Cir. 1993). Accordingly, Ameranth’s
27 complaint must plausibly allege that the Asserted Patents were directly infringed to
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1 survive Usablenet's motion to dismiss. However, "a plaintiff need not identify a
 2 specific direct infringer if it pleads facts sufficient to allow an inference that at least
 3 one direct infringer exists." *In re Bill of Lading*, 681 F.3d 1323, 1339 (2012).

4 Here, Ameranth alleges in pertinent part:

5 [S]ystems including one or more of the Usablenet Products, as
 6 deployed and/or used at or from one or more locations by Usablenet,
 7 its agents, distributors, partners, affiliates, licensees, and/or their
 8 customers, infringes one or more valid and enforceable claims of the
 9 '850 patent

10 [S]ystems including one or more of the Usablenet Products, as
 11 deployed and/or used at or from one or more locations by Usablenet,
 12 its agents, distributors, partners, affiliates, licensees, and/or their
 13 customers, infringes one or more valid and enforceable claims of the
 14 '325 patent

15 Defendant actively induces others to infringe the '325 patent in
 16 violation of 35 U.S.C. § 271(b) by knowingly encouraging, aiding and
 17 abetting customers of Usablenet, including consumers and
 18 hotel/restaurant operators, to use the infringing Usablenet Products in
 19 the United States without authority or license from Ameranth.⁶

20 [S]ystems including one or more of the Usablenet Products, as
 21 deployed and/or used at or from one or more locations by Usablenet,
 22 its agents, distributors, partners, affiliates, licensees, and/or their
 23 customers, infringes one or more valid and enforceable claims of the
 24 '077 patent

25 Defendant actively induces others to infringe the '077 patent in
 26 violation of 35 U.S.C. § 271(b) by knowingly encouraging, aiding and
 27 abetting customers of Usablenet, including consumers and
 28 hotel/restaurant operators, to use the infringing Usablenet Products in
 the United States without authority or license from Ameranth.⁸

29 [C]ustomers of Usablenet, including consumers and restaurant
 30 operators, use the Usablenet Products⁹

31 Considered as a whole, the Court finds that Ameranth's allegations are

32 ⁴ECF No. 1 ¶ 18.

33 ⁵ECF No. 1 ¶ 30.

34 ⁶ECF No. 1 ¶ 32.

35 ⁷ECF No. 1 ¶ 42.

36 ⁸ECF No. 1 ¶ 44.

37 ⁹ECF No. 1 ¶¶ 19, 31, 43.

1 sufficient to allow an inference that at least one direct infringer exists. Here,
2 Ameranth generically identifies direct infringers as “customers,” including
3 “consumers and restaurant operators.” At the pleading stage, this is sufficient to
4 identify an underlying act of direct infringement to maintain Ameranth’s indirect
5 infringement claims.¹⁰ Accordingly, the Court **DENIES** Usablenet’s motion to
6 dismiss Ameranth’s indirect infringement claims on this basis.

B. Knowledge of the Patents

8 Usablenet further contends that Ameranth’s indirect infringement claims must
9 fail because Ameranth has failed to sufficiently plead that Usablenet had knowledge
10 of the Asserted Patents. For an induced infringement claim, “the patentee must
11 show . . . that the alleged infringer knowingly induced infringement and possessed
12 specific intent to encourage another’s infringement.” *Kyocera Wireless Corp. v.*
13 *ITC*, 545 F.3d 1340, 1353–54 (Fed. Cir. 2008) (internal citations and quotations
14 omitted). “[T]he specific intent necessary to induce infringement requires more than
15 just intent to cause the acts that produce direct infringement. Beyond that threshold
16 knowledge, the inducer must have an affirmative intent to cause direct
17 infringement.” *Id.* at 1354. Similarly, for a contributory infringement claim, the
18 patentee must show that the alleged infringer knows that the component is
19 “especially made or especially adapted for use in an infringement of [the] patent.”
20 35 U.S.C. § 271(c); *see also i4i P’ship v. Microsoft Corp.*, 598 F.3d 831, 850–51
21 (Fed. Cir. 2010).

1 Here, Ameranth contends that it has sufficiently plead Usablenet's knowledge
 2 of the Asserted Patents by pleading the wide-spread awareness of Ameranth's
 3 technology in the hospitality sector. (ECF No. 280 at 11.) However, the majority of
 4 Ameranth's allegations relate only to public knowledge of Ameranth and its
 5 technology, and say nothing about whether Usablenet knew of Ameranth and the
 6 Asserted Patents. The only specific allegation in Ameranth's complaint as to
 7 Usablenet's knowledge of the Asserted Patents is the statement that "Usablenet has
 8 had knowledge of [the Asserted Patents]." (ECF No. 1 ¶¶ 23, 35, 47.)

9 The Court finds that Ameranth has failed to plausibly plead that Usablenet had
 10 knowledge of the Asserted Patents. A conclusory allegation that Usablenet had
 11 actual knowledge of the patents at issue is insufficient to set out a plausible claim for
 12 indirect infringement. Although Ameranth cites to the factors used by the court in
 13 *Trading Technologies International, Inc. v. BCG Partners, Inc.*, the complaint in
 14 that case included an allegation that the patentee had marked its product with the
 15 asserted patent's number. No. 10-cv-715, 2011 WL 3946581, at *3-4 (N.D. Ill.
 16 Sept. 2, 2011). That court was thus able to infer that the defendants, as competitors
 17 with the patentee, would be aware of any patents issued to the patentee. Such a
 18 finding does not apply here, and the Court is unconvinced that allegations of some
 19 public knowledge of Ameranth's patents is sufficient to support an inference that
 20 Usablenet also had knowledge of the Asserted Patents.

21 Further, to the extent that Ameranth contends that Usablenet had knowledge
 22 of the Asserted Patents as of the filing of the complaints, such allegations are
 23 insufficient to support Ameranth's indirect infringement claims unless Ameranth
 24 limits its claims to post-litigation conduct. Otherwise, Usablenet could be held
 25 liable for acts inducing infringement or contributing to infringement prior to having
 26 any knowledge of the Asserted Patents. *Proxyconn Inc. v. Microsoft Corp.*, C.A.,
 27 No. 11-1681-DOC, 2012 WL 1835680, at *7 (C.D. Cal. May 16, 2012).
 28 Accordingly, the Court **GRANTS** Usablenet's motion to dismiss Ameranth's

1 indirect infringement claims on this basis.

2 **C. *Induced Infringement Claim***

3 Usablenet further contends that Ameranth has failed to plausibly allege the
 4 requisite intent for its induced infringement claims. (ECF No. 10-1 at 18.) Under §
 5 271(b), “[w]hoever actively induces infringement of a patent shall be liable as an
 6 infringer.” 35 U.S.C. § 271(b). “To prevail on inducement, the patentee must show,
 7 first that there has been direct infringement, and second that the alleged infringer
 8 knowingly induced infringement and possessed specific intent to encourage
 9 another's infringement.” *Kyocera*, 545 F.3d at 1353-54 (internal citations and
 10 quotations omitted). “[T]he specific intent necessary to induce infringement
 11 requires more than just intent to cause the acts that produce direct infringement.
 12 Beyond that threshold knowledge, the inducer must have an affirmative intent to
 13 cause direct infringement.” *Id.* at 1354.

14 The Court finds that Ameranth has failed to plausibly allege intent to induce
 15 infringement. The only allegation in Ameranth’s complaint as to Usablenet’s intent
 16 is the conclusory assertion that “Usablenet intended that its actions would induce
 17 infringement by those users.” (ECF No. 1 ¶ 20.) Although Ameranth’ cites to *In re*
 18 *Bill of Lading* for the proposition that a plaintiff need only state facts allowing for
 19 the inference of intent to induce infringement, Ameranth has not stated any such
 20 facts here. The complaints discussed in *In re Bill of Lading* contained “detailed
 21 factual allegations,” “quotations from [defendants’] websites, advertising, and
 22 industry publications,” and “allegations about [defendants’] strategic partnerships
 23 with other companies, their advertising, and their involvement at trade shows.” 681
 24 F.3d at 1330. Ameranth’s generic allegations that “Usablenet provides instruction
 25 and direction regarding the use of Usablenet Products, and advertises, promotes, and
 26 encourages the use of the Usablenet Products” are insufficient to support such an
 27 inference of intent. (ECF No. 1 ¶¶ 22, 34, 46.) Accordingly, the Court **GRANTS**
 28 Usablenet’s motion to dismiss Ameranth’s induced infringement claims on this

1 basis.

2 **II. Willfulness**

3 “[A] willfulness claim asserted in the original complaint must necessarily be
 4 grounded exclusively in the accused infringer’s pre-filing conduct.” *In re Seagate*
 5 *Tech., LLC*, 497 F.3d 1360, 1374 (Fed. Cir. 2007). Although a patentee need only
 6 “make out the barest factual assertion of knowledge of an issued patent,” a “bare
 7 recitation of the required legal elements for willful infringement” is insufficient.
 8 *IpVenture, Inc. v. Cellco P’ship.*, No. C 10-04755-JSW, 2011 WL 207978, at *2
 9 (N.D. Cal. Jan. 21, 2011); *see also Avocet Sports Tech., Inc. v. Garmin Int’l, Inc.*,
 10 No. 11-cv-4049-JW, 2012 WL 1030031, at *3-4 (N.D. Cal. Mar. 22, 2012).

11 Usablenet contends that Ameranth has failed to plausibly plead willfulness
 12 based on any pre-filing conduct. (ECF No. 10-1 at 24-27.) The Court agrees. As
 13 noted above, Ameranth’s only allegation as to Usablenet’s knowledge of the
 14 Asserted Patents in Ameranth’s complaints is the statement that “Usablenet has had
 15 knowledge of [the Asserted Patents].” (ECF No. 1 ¶¶ 23, 35, 47.) Ameranth’s
 16 allegations regarding the allegedly wide-spread public knowledge of its technology
 17 is insufficient to support an inference that Usablenet had any knowledge of the
 18 Asserted Patents. Accordingly, the Court finds that Ameranth has failed to allege
 19 any facts suggesting that Usablenet had knowledge of the Asserted Patents prior to
 20 the filing of the complaints and **GRANTS** Usablenet’s motion to dismiss
 21 Ameranth’s claims for willful infringement.

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CONCLUSION

2 For the foregoing reasons, the Court **GRANTS** Usablenet's motion to dismiss
3 Ameranth's indirect infringement and willful infringement claims **WITHOUT**
4 **PREJUDICE.**

IT IS SO ORDERED.

6 || DATED: July 9, 2013

Janis L. Sammartino
Honorable Janis L. Sammartino
United States District Judge